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290831Z Apr 05

C O N F I D E N T I A L SECTION 01 OF 03 MANILA 001954

SIPDIS

STATE FOR EAP/PMBS AND EAP/CM
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E.O. 12958: DECL: 04/29/2015

TAGS: [PREL](#) [MARR](#) [PINR](#) [CH](#) [RP](#)

SUBJECT: CHINESE PRESIDENT HU JINTAO VISITS MANILA

REF: A. 04 MANILA 5826

- [1](#)B. 04 MANILA 5654
- [1](#)C. 04 MANILA 4526
- [1](#)D. 03 MANILA 752
- [1](#)E. 02 MANILA 174

Classified By: (U) Pol/C Scott Bellard for reasons 1.4(b) and (d).

[1](#)1. (C) SUMMARY. The state visit of Chinese President Hu Jintao focused primarily on economic and trade issues, with apparently no discussion of improving military-to-military ties. Although Deputy Chief of the General Staff General Xiong Guang Kai plans a trip Manila in May, observers do not expect any rapid changes in the two countries' defense relationship. China plans to open a new consulate in the northwestern Luzon town of Laoag to service the growing number of Chinese tourists flocking to the area. END SUMMARY.

[1](#)2. (U) Chinese President Hu Jintao's April 26-28 state visit to Manila included a meeting with President Gloria Macapagal-Arroyo, a state dinner, an address to a joint session of Congress, and a meeting with Filipino-Chinese business leaders. In his remarks to Congress, Hu called for greater cooperation between China and the Philippines and the rest of ASEAN, especially in the area of trade. Before the Chinese leader's speech, Speaker Jose de Venecia awarded him the Congressional Medal of Achievement, the Philippine House's highest decoration.

"STRATEGIC COOPERATION" NOT PARTNERSHIP

[1](#)3. (C) PRC Embassy DCM Xiao Qian characterized the highlight of the Hu visit as agreement on a "new definition" of the bilateral relationship, one of "strategic cooperation" -- not "partnership," he noted. He emphasized that this term focused on a "long-term, comprehensive, overall relationship," with "higher, broader, and more" cooperation, but did not refer specifically to a defense or military relationship. He claimed that no defense officials had been part of the Hu delegation and that there had been no separate talks on this issue during the visit, to his knowledge. He admitted that the PRC Deputy Chief of the General Staff, General Xiong Guang Kai, is nonetheless expected to visit Manila in May for the first round of a "defense and security dialogue," which Xiao Qian described as a PRC initiative focused primarily on resolving disputes in the South China Seas, among other issues. He pointed to an existing agreement on new efforts at military training and exchanges, including senior defense officials, attendance at each other's National Defense Academies and additional navy ship visits. Separately, Secretary of National Defense Cruz's Senior Military Advisor Colonel Carlos Holganza emphasized to pol/miloff that RP-China defense talks remained only "exploratory in nature."

[1](#)4. (C) Xiao Qian added that the PRC had been pushing for this new conceptual designation for some years, but the GRP had been "reluctant," perhaps because of concern over its impact on US ties. He admitted that the GRP had pushed instead to describe bilateral ties as a "golden age of partnership," but had finally accepted the PRC wording. (Note: In President Arroyo's public comments and in banners throughout Manila, the GRP continued to use the term "golden age of the relationship," however. End note) He underscored that the new definition of the relationship was "not aimed at a third country," specifically indicating the U.S. He noted that the PRC had been satisfied that President Arroyo reiterated the GRP's "One China" policy, while admitting continued PRC unhappiness at relatively senior visits to Taiwan by GRP officials, which Hu did not raise.

ECONOMIC AND TRADE DEALS

[1](#)5. (C) Xiao Qian emphasized that the most important substantive aspect of the visit was on the economic and trade side, with 15 new agreements (not 14 as reported in the press) on various investment and trade deals. Most

significant were approximately \$800 million to reopen an existing nickel mine, and a new tranche of long-term, low interest credits worth \$500 million for the Northern Railway project (in addition to an existing \$400 credit that has not yet been touched). One of the "major concessions" the PRC had made, Xiao Qian said, was on the "Early Harvest program," in which the PRC will now allow Philippine agricultural exports similarly concessional status as it already affords Cambodia, Laos, and Vietnam. He indicated that these three countries would likely be unhappy with the inclusion of the more developed Philippines, but that the GRP had pushed hard on this. (See septel for an in-depth review of RP-PRC economic and trade ties.)

NEW CONSULATE IN LAOAG

16. (C) The two sides exchanged notes regarding the establishment of a Chinese Consulate in Laoag in northern Luzon, with an eye on opening this post later this year if possible. The PRC is now scouting for suitable housing and office space and identifying a suitable Consul from its Consular Department. Xiao Qian explained the rationale as taking care of a growing number of Chinese tourists (approximately 30,000 per year) who come to this area for "gaming" (i.e. gambling) on one of the three direct routes (from Guangzhou, Chengdu, and Xiamen) now offered by Philippine Air charter flights. He dismissed the validity of speculation that the PRC wanted this site in order to "watch Taiwan," emphasizing instead the consular aspect that was currently plaguing the Chinese Embassy in Manila. The PRC already has a Consulate General in Cebu, but currently has no plans to open any other consular establishments. There had been an ROC Consulate in Davao before the establishment of relations with the PRC 30 years ago, and the PRC still retains this property, along with a bay front site in Manila that it too small for construction of a new Chancery. (The Philippines has consulates in Shanghai, Guangzhou, Xiamen, and Hong Kong.)

BRIEF DISCUSSION OF COUNTERTERRORISM AND COUNTERNARCOTICS

17. (C) Counterterrorism and counternarcotics came up "briefly" during the Hu-Arroyo discussions in the context of bilateral cooperation, with general pledges of greater cooperation, but no new action programs apart from a long-awaiting assignment of a PRC police official at the Embassy in Manila, which should happen later in 2005, according to Xiao Qian. He indicated that this official would work to combat all "illegal trafficking," which he indicated might also refer to trafficking in persons as well as narcotics. Hu also referred to the GWOT in talks with Senate President Franklin Drilon and Speaker of the House Joe De Venecia, calling it a "global and complex struggle" against "extremists, separatists" and others.

UN REFORM

18. (C) Chinese Foreign Minister Li Zhaoxing and Philippine Foreign Secretary Alberto Romulo separately discussed UN reform, with the PRC urging that UN members "not hasten" these decisions and emphasizing the importance of consensus, according to Xiao Qian. He claimed that the two sides did not discuss a possible Japanese seat on the UNSC. They touched upon the upcoming East Asia Summit without going into detail, he added.

OBSERVERS DISCOUNT ANY QUICK WARMING OF DEFENSE RELATIONSHIP

19. (C) Other observers discounted the possibility of any quick warming of RP-China military-to-military relations. According to De La Salle University Professor Renato De Castro, the Department of National Defense (DND) and Armed Forces of the Philippines (AFP) are wary of jeopardizing defense ties with the United States, especially while the DND and AFP are engaged in the beginning stages of the comprehensive Philippine Defense Reform (PDR) effort -- a view offered separately by Singapore Political Counselor Raymond Chow. De Castro noted that while China is "impatiently" pushing for military exercises, the DND has adopted a "go-slow" approach. De Castro, Chow, and pundit Alex Magno, all agreed separately, however, that while the AFP, DND, and professional staff of the National Security Council are leery of getting too close to China, elements of the Department of Foreign Affairs (DFA) are pushing for better ties. Magno noted Philippine strategic thinking was largely nonexistent, quipping, "We can't see beyond the end of our noses."

10. (C) An unknown factor in Philippine government thinking is the role of the "taipans," the leading members of the Filipino-Chinese business community. Lucio Tan, the owner of Philippine Airlines and reportedly a leading financier of

President Arroyo's 2004 presidential campaign, was among the delegation greeting Hu Jintao when he arrived, and the Chinese leader stayed in Tan's Century Park hotel (not one of Manila's leading establishments) during his visit. Magno, De Castro, and Chow all separately observed that Tan and San Miguel Corporation chairman and one-time presidential aspirant (and Marcos crony), Eduardo "Danding" Cojuangco, were among those positioning themselves to benefit from greater Philippine trade ties with China.

COMMENT

11. (C) Hu Jintao's charm offensive in Manila appears little different than his stops in other ASEAN capitals. We believe the Philippine defense establishment has taken aboard US concerns about closer RP-PRC military or intelligence ties, and will do little to jeopardize the close relationship with the United States. We will continue to monitor closely Chinese overtures here, and believe the upcoming visit of the Deputy Secretary and Foreign Secretary Romulo's subsequent trip to Washington offer opportunities for us to remind the Philippines not to get too close to its northern neighbor.

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